



LAUREA
UNIVERSITY OF APPLIED SCIENCES

Prime Mover

Risk Analysis of the Pakistani Textile Industry: A Macro Analysis

Sohail, Amar

2012 Laurea Leppävaara

Laurea University of Applied Sciences
Laurea Leppävaara

Risk Analysis of the Pakistani Textile Industry: A Macro Analysis

Sohail Amar
Bachelor Degree Programme in
Business Management
Thesis
April, 2012

Bachelor Degree Programme in Business Management

Sohail, Aamar

Risk Analysis of the Pakistani Textile Industry: a macro analysis

Year	2012	Pages	43
------	------	-------	----

This thesis was written as part of a Bachelor Degree program for Laurea University of Applied Sciences. This research report examines current problems and factors faced by the Pakistani textile industry. The study was conducted at the macro level in order to analyze the overall situation in the Pakistani textile sector.

There was a need to understand the reasons for the collapse of the biggest sector of the country in terms of export and employment. Serious difficulties began in the beginning of 2010 when a shortage of gas and electricity was announced for a longer period than before. The subject of this thesis was decided while listening to news relating to the challenges faced by industrialists in the period 2010-2011.

A qualitative research approach has been used as the single approach for fact finding, as the basic aim of this research report is to understand the factors that affecting the textile industry at the macro level. During a personal visit to Pakistan, the researcher has conducted in-depth interviews with the owners of textile mills, corporate level personnel and an independent external audit firm.

In the theoretical section, the thesis discusses risk and risk analysis in the industry and the steps involved in the process of conducting the risk analysis. Most of the data has been drawn from the literature and the latest internet research articles.

Keywords: Risk, risk analysis, Pakistani textile industry

Contents

1	Introduction.....	6
1.1	Aim of the Thesis	6
1.2	Purpose of the Thesis	7
1.3	Research Time Frame	7
1.4	Outline of the Thesis.....	7
2	Theoretical Background	8
2.1	Risk.....	8
2.2	Risk Management and Analysis	10
2.3	Risk Analysis	15
2.4	Objective and Scope of Risk Analysis	16
2.5	Acceptable Risk-How Safe is Safe Enough?.....	16
2.6	SLEPT Analysis.....	17
2.7	Implementation of Risk Analysis for Textile Industry	18
3	Accidental Risk Analysis and Management of textile Industry in Pakistan.....	18
3.1	Textile Industry of Pakistan -An Overview	19
3.2	Established Capacity of Industry	19
3.3	Contribution to Export.....	19
3.4	Contribution to GDP and Employment	20
3.5	Trading Partners	20
3.6	Textile Export Split in 2009-2010.....	20
3.7	Development of Textile Industry	21
3.8	SLEPT Analysis.....	22
3.9	SWOT-Analysis.....	23
4	Research Methodology	24
4.1	Research Method Used.....	25
4.2	Participants.....	25
4.3	Data Analysis	25
5	Empirical Findings	26
5.1	Internal Factors	26
5.1.1	Energy Crises	27
5.1.2	Risk of Shifting Industry to Bangladesh	28
5.1.3	Political Interest	29
5.1.4	Corruption	29
5.1.5	Monetary Policy	30
5.1.6	Subsidy for Textile Sector.....	30
5.1.7	New Investment.....	30

5.1.8	Inflation	31
5.1.9	Research and Development	31
5.1.10	APTMA Performance	32
5.2	External Factors	32
5.2.1	International Monetary Fund (IMF)	32
5.2.2	Global Recession.....	33
5.2.3	US and EU Effect.....	34
6	Summary on Empirical Findings	35
7	Suggestions.....	36
	References	38
	Appendix: Survey Questionnaires	41

1 Introduction

Risk is a term that can be defined as the possibility of suffering harm from hazard and hazard is a source of risk that refers to actions that can cause harm. No industrial sector today is free of risk belonging to its internal and external environment. It is obligatory at every step of industrial operation to make risk assessment. Technical assessment of nature and magnitude of risk as called risk assessment. Risk analysis is new tools and techniques of industrial sectors these days although this concept has many hundreds of year's history. New methods and knowledge has been developed in the past 20 years by many organizations worldwide. (John et al 1989)

Risk analysis refers to managerial tools that provide technical and vital information in which management take sound actions for treating the risks. There are many goals and objectives of risk analysis within the organization the main goal is to strike and economic balance between the impacts of the risks on the enterprise and cost of implementing prevention and protective countermeasure. (James et al 2012, 4)

Every organization and association has its own risk management tools and techniques and it depending on the nature and size of business, and the level of risk is also depends on the size and operation of business. For example, multinational companies such as Unilever and Glaxo Smith Kline whose business operation is across the world has more probabilities of risk occurrence and hence requires proper risk management policies and techniques for minimizing the risk. In general, risk analysis can provide many benefits to organization and enterprise regardless of its size and volume of risk. Properly perform analysis show current security posture of the organization. Furthermore, it provides guidelines about the areas where more security is needed. By assessing and then reporting strength and weakness of the security profile to all organizational levels, it increases the security awareness. Trained manpower is the major resource for perfect risk analysis at any level of risk management and that is why, initial cost for analysis is most expensive as compared to the next level. In the whole scenario, risk management play a vital role because of its sensitivity as all the decisions might be taken at the initial research and analysis. (James et al 2012, 5)

1.1 Aim of the Thesis

The aim of this thesis is to research and analyse the factors that are affecting for the operation of Pakistani textile industry. The thesis concentrates on the problems which are facing by Pakistani textile industry during the last few years. Being a biggest industrial sector in term of export, reasons of its operation and possible solutions to solve the problems are discussed in this thesis.

The thesis uses a qualitative approach for analysing the current business situations of textile sector within Pakistan. Interviews are conducted among large and small scale industrial sectors and textile association of Pakistan.

1.2 Purpose of the Thesis

This thesis is an accidental risk analysis of Pakistani textile industry mainly focusing on among other factors, shortage of electricity and gas in the country and political instability in Pakistan. The idea of thesis was generated during my (Aamar Sohail) school spring term in 2011, when there was hot news about biggest crises ever facing by the textile sector. Then I started to think about in depth about the causes that lead to industrial crises these days and realized about the further research is needed for facts finding. At the same time, I tried to find same kind of research and thesis from internet, books, theseus.fi and Google. There was no comprehensive report available because of nature of research and country specification. Being a Pakistani, I got a chance to research at this topic and accidental risk analysis of one specific sector.

While discussing the topic with the supervisor, current problems and issues has been highlighted and got approval about the topic as this was the first time in Laurea University of applied science that any student tried to research at any topic related to Pakistan. We have discussed about research method used and decided that qualitative approach would be most suitable because of macro analysis of industry. During my personal visit to Pakistan in winter 2011, I visited a couple of textile firms and manufacturing plants and observed current situation. With the reference of few friends, I got a chance to meet with owners of small scale industrial owners and got ideas about how this sector is facing trouble.

1.3 Research Time Frame

The thesis process went into three stages. During autumn 2011, literature study stage has been done and collected major components that supported to thesis research. Many resources have been used for collecting literature. Empirical research was done during January 2012 in the form of questionnaires and interviews. The result of research were analysed in February and final presentation of my work was done in March in the current year.

1.4 Outline of the Thesis

Outline of the research is based on two main sources i.e. literature and interviews. The outcome of thesis consists of six vital sections First section is an introduction and in the second section belongs for theory and literature review. In the third section textile industry review is highlighted. Research approach has been explained in section 4 and analysis that is

the result of interviews is out into section 5. In the last section, outcomes or conclusions of the research have been explained. Outline of the thesis is stated in figure below:

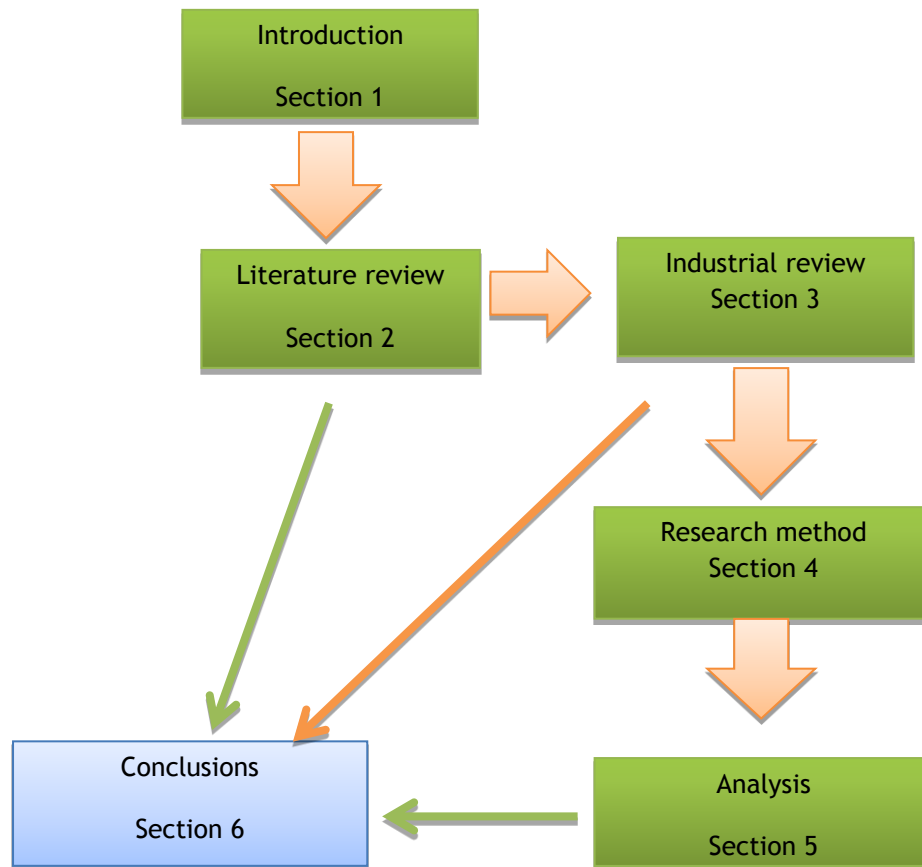


Figure 1: Outline of the thesis

2 Theoretical Background

In theoretical part of thesis, theory related to risk and risk management will be elaborated. Importance of risk analysis and role of risk management within organization will be highlighted for supporting empirical research. A general overview of SWOT analysis and SLEPT will explain in the theory section.

2.1 Risk

Risk can be defined in different ways (Kelman, 2003). According to risk management standard (AS/NZS 4360:2004 P.4) the term risk can be defined as, "the chance of something happening that will have an impact on objectives. A risk is often specified in terms of an event or

circumstances and the consequences that may flow from it. Risk is measured in term of combination of the consequences of an event and their likelihood.”

Institute of risk management has been defined risk as, “Risk can be defined as combination of the probability of an event and its consequences”. (ISO/IEG Guide 73) A risk is a random event that may possibly occur and if it did occur, would have a negative impact on the organization goals. (David Vose, 2008, 3). Risk is based on three factors: hazards, exposure and vulnerability. This risk triangle has been shown in figure

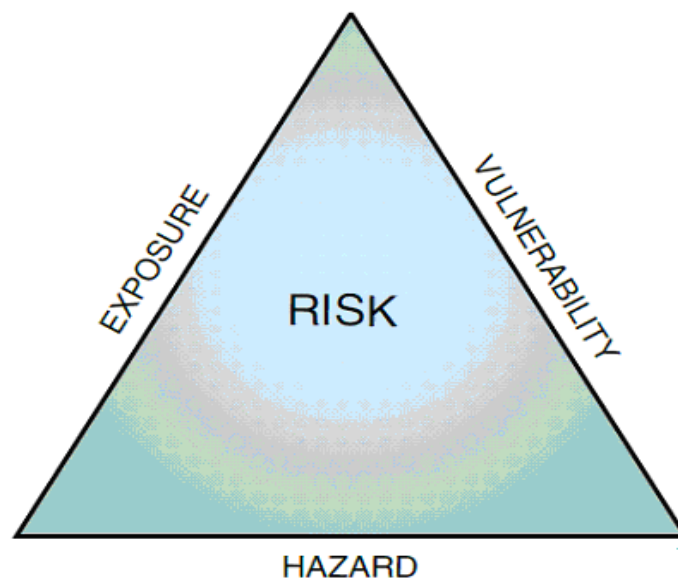


Figure 2: Risk Triangle (Crichton, 1999)

Understanding of three factors, hazard, exposure and vulnerability that are involves in the risk is important. The hazard has been described by EMA (1998, p.59):

- Hazard

“A source of potential harm or a situation with a potential to cause a loss, it may also be referred to as potential or an existing condition that may cause harm to people or damage to property or the environment”. Hazards may also very in duration, severity and intensity.

- Exposure

Exposure refers to the elements that are subject to the impact of a specific hazard (Middelmann 2005, 1). Tangible, intangible and institutional are the basic elements of exposure. Tangible elements include people, building and infrastructure related to power

and water supply. Intangible elements include heritage and community relationship. Capacity to share information and the effectiveness of emergency management plans and coordination arrangements are the institutional elements. (Granger et al 2007).

- Vulnerability

According to Twigg 2001, the term vulnerability has been defined in the following words. “Vulnerability is the human dimension of disasters. To understand what makes people vulnerable, we have to move away from the hazard itself to look at a much wider, and a much more diverse, set of influences: the whole range of economic, social, cultural, institutional, political and even psychological factors that shape people’s lives and create the environment that they live in.”

2.2 Risk Management and Analysis

Risk management is any set of actions taken by individual corporations in an effort to alter the risk arising from their business. (Merna & Smith, 1996, 33)

Risk management within the organizations and government bodies is become very important in these days. All level of organization is involved in the management of risk. (Faisal et al 2008, 6). No business is risk free as at any time, something wrong happen that leads to a heavy lose. For example, changes in government laws and fire in manufacturing plant. While doing business, there is no point for avoiding risks completely.

Risk management concept was introduced early 2100BC. Until recently, insurance is the dominant entity that businesses are insured their risks, during 1960, insurance companies tried to reduce their risk by encouraging businesses to safer their premises. And this was the first age of risk management. During 1970-80, British Standard Institute launched the quality standard BS 5750 in order to introduce quality assurance. This was the second age risk management. In 1995, Standard Australia introduced the World’s risk management standard AS/NZS 4360:1995 that has been updated three times until now, and this is called third age of risk management. (Kit, 2005, 1-2)

Insurable and uninsurable both types of risks are dealt by risks management and it is an essential part of any project and business planning cycle. Basic roles of risk management in any business planning cycle that includes:

- Require acceptance that uncertainty exists.
- Providing guidance for risk handling in term of alternative plans and solutions.
- Thinking process for generate new ideas and imagination.

Identification, predictions and seriousness of any risk is the fundamental level of any risk management process. (Faisal et al 2011, 33).

Risk management process helps for risk management plan, and steps involved in this process that has set out by risk management standard AS/NZS 4360:2004 can highlight generally.

- Establish the Context.

In the first step of risk management process includes three major contexts, strategic, organizational and risk management. Organization and its environment relationship is called strategic context that covers financial, operational, social, political and legal aspects.

In this risk management process stage, risks generally be categorized but overall company's risk cannot identify. While establishing the context for risk management process, it defines the vision, mission and goals of particular organizations. Identifications of internal and external environment related to industry for which it performs its business operation. Risk management process has its own scope and objectives and all these contents have been set out in this phase. Risk measurement tools can be identified and details about what would be included in the risk management process are also clarified in the current step. (Mapl, 2008)

- Identify Risks

The next process is identifying risks and description by determining the possible causes. Many techniques can use for identification. Examples are records, experience, brainstorming, system analysis and scenario analysis.

Risk identification is a step where organization exposure to uncertainty can be identified. For this purpose, in depth knowledge of organization is essential. Marker in which it is operating, legal, political, social and cultural environment in which it exists needs interrelated knowledge. Risk identification is an approach that ensures all significant activities within organizations and all possible risk flown from these activities defined.

In normal circumstances, business activities and decisions can be categorized in different ways. Example of these kinds of activities is,

- Strategic. Strategic decisions within organisations are the responsibility of top level management. They have power for effecting of areas such as capital availability, sovereign and political risks. Changes in physical environment, legal and regulatory changes and reputation are also under the control of strategic management.

- Operational. Under this management, day to day issues related to organization are taking care. Planning and strategy are driven from upper level management for example strategic level.
- Financial. Basic concern of this management is to control the financial matters of organization and the factors that effects from external environment. These external factors are availability of credit, foreign exchange rates, interest rate moment and other market exposure.
- Compliance. These concern issues such as safety and health environment, trade description, consumer protection and data protection, employment practices and regulatory issues. (Theirm, 2002)
- Analyse Risks.

In risks analysing stage, assessing the likelihood or risk occurrence, identification of existing and new controls for minimizing the likelihood of risks and cost identification of this purpose can be observed. Risk analysis may be qualitative, semi- quantitative or quantitative. Past records, experiences, industrial practice, market research, experiments and judgement that techniques used in the risk analysis stage.

The next stage under risk analysing is description of risk. In a structured format risk can be identified for example some time in tabulated form. At this stage, type and nature of risk can be categorised according to priority and probability basis so that it could be easy for analyse risks in more detail.

1. Name of Risk	.
2. Scope of Risk	Events are described in qualitative term, size, number and dependencies
3. Nature of Risk.	In scope of risk, for example operational, financial, strategic and knowledge.
4. Stakeholders	Stakeholders and their expectations.
5. Quantification of risk	Quantification risk means defining the risk signification and its probability about occurrence.
6. Risk Tolerance	At this stage, impact of financial risk and value of risk is considered. Probability and size of potential losses due to particular risk is study in detail.

7. Risk Treatments	While treating the risk in advance, basic means for which risk is managed and control and protocols for monitoring is identified.
8. Potential action for improvement	Important recommendations are discussed for reducing the risk.
9. Strategy and policy Developments	Functions that are responsible for developing strategy and policy are identified.

Table 1: Risk Description (Adapted from Risk Management standard - IMRIC, ALARM, IRM: 2002)

Business activities and decisions making related risks can be identified and categorised as strategic, project and operational.

Risk identification approach that has been used by Institute of Risk management (IRM) and Association of Insurance and Risk managers (AIRMIC) while drafting risk management standard (RMS2002). Below is the table with risk and description of that risk in details.

At the conceptual stage of projects and throughout the life of a specific project, incorporation of risk management is crucial within organization. There are many factors that have to consider while drawing the risk related actions and precautions.

- Evaluate Risks.

At this stage, person with an appropriate authority make a decision about the acceptable or unacceptable risks. Acceptable risks should be monitored and reviewed periodically to ensure it remains acceptable. (Treasury, 2007)

When the risk analyse process has been completed, next stage is the comparison between estimated risk and risk criteria that organization has set out. Possible risk criteria might be associate cost benefits, legal requirements, socio-economic and environment factors. Evaluation of risk is used to make organization decisions. (Theirm, 2002)

Below is the diagram that explains about the risk management process and criteria set out by Australian standard, New Zealand Standard AS/NZS 4360:2004

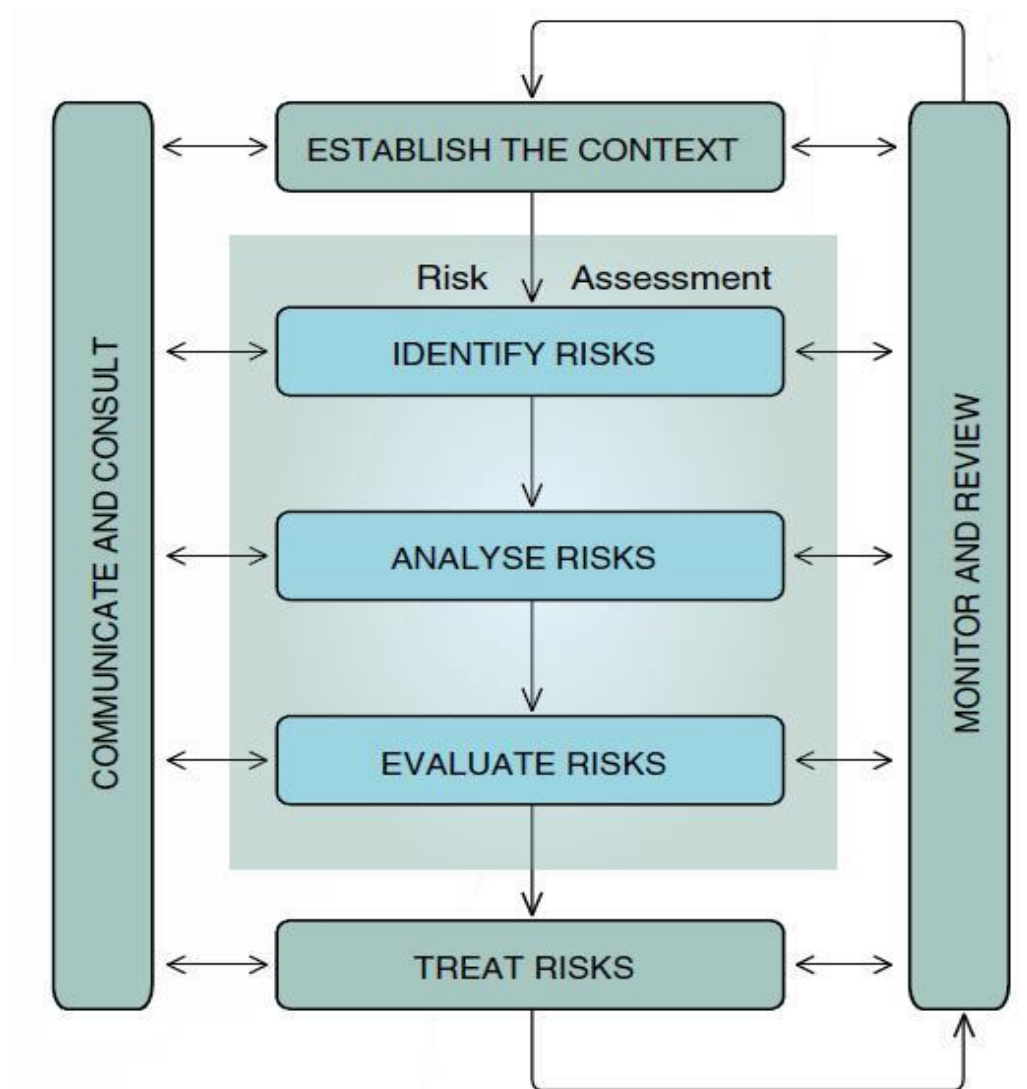


Figure 3: Risk Management Process (Adapted from AS/NZS 4360:2004)

- Treat the risks.

Strategies are made directing towards risks that are evaluated in the previous step and actions for, Avoiding the risk by stopping the activity that generate risks, Reducing the consequences of the occurrence and transferring the risk. Selected treatment strategy are used for specify risk. (Treasury 2008)

In other words, it is the process in which selected and implemented measures modify the risk. Every organization and association has its own risk treatment system. International Risk Standard IRS 2002 explains that any risk treatment system should provide as minimum effective and efficient operation, effective internal control and compliance with legal rules and regulations of organization.

Risk analysis process is helpful for effective and efficient operation and provides assistance about identifying the risk that requires management attention. Factors related to the laws and regulations are not a simple option for any organization. Understanding of applicable laws and implementing a system of control to achieve compliance is compulsory factor.

However, organization has an option for financial protection against the impact of risk which includes insurance. Some losses are uninsurable for example work related health, environmental accidents and reputation of organization. (Theirm, 2002)

- Monitor and Review

Monitoring is an important step in the risk management process. It contains about monitoring all steps involved in the process and any new risk and changing the current assessment strategies. For monitoring risk, a registered database is main tools for this purpose. Ranking of risks, persons responsible for specific risk are recorded in this database. Time to time updating of register data base would be an integral part of the ongoing project management process. (Qualified-audit-partners, 2008)

2.3 Risk Analysis

Basic objective of risk analysis is to explain the risk. (Aven et al 2008, 3). According to John J. Coherssen (1989), risk analysis is a term that often used synonymously with risk assessment. In other words, risk assessment means technical assessment of the nature and magnitude of risk.

Risk analysis can be explained in the broader sense in the following statement.

Risk analysis = risk assessment + risk management + risk communication Risk analysis provides details about basis of determining which measure or measurer should be implemented. (Terje, Risk Analysis 8).

Following are the four methods that include in the risk analysis (John 1989, 5),

- hazard identification
- risk assessment

- determining the signification of a risk
- Communicating risk information.

According to John J. Coherssen, “Risk analysis does not resolve the complicated socio-economic and political trade-offs inherent in most risk related decisions”. Risk analysis is an important step in the risk management process that is helpful for cost-benefit studies and compares the cost of a particular action.

2.4 Objective and Scope of Risk Analysis

In organization and government departments, there might be decisions that have to be made whose outcomes are always uncertain. Risk analysis approach helps for making much better decisions. (Risk analysis, David, 3)

There are several purposes of risk analysis in any organizations or state departments. It is helpful for decision makers and others stakeholders. According to John and others, few objectives for risk analysis have been explained;

- Determination of environmental and health problems associated with a variety of activities substances.
- Comparisons of existing and new technologies
- Selections of sites for potential hazardous facilities.

A risk analysis cannot illuminate all the problems of risk management of organizations but only important factors that are directly connected to the external environment of the industry. Therefore, it has narrow scope. (Risk analysis, John and many, 12)

2.5 Acceptable Risk-How Safe is Safe Enough?

There are no universal criteria for acceptable risk. It depends on individual decision maker choice. Ignoring or illuminating all risks are almost impossible. Experts only decide which risks are safe-enough and acceptable. Decision makers used several approaches for this judgment. In some cases, experts relied mainly on `Cost -Benefits Analysis technique. (Von & Edwards, 1986)

Another approach is comparative and precedent- based for acceptable- risk analysis. In this technique, comparison of different risks approach could be used for acceptable risk decisions. (John et al. 18)

2.6 Advantage and Disadvantage of Risk Analysis for Organizations

Within organization, risk analysis starts with basic decisions about the objectives and perceptions of the analysis. There are many purposes of risk analysis that has been explained by John et al in Risk analysis at page 9.

Risk analysis is helpful for decision makers and other stakeholders related to environmental and health problems. Comparisons of new and existing technologies and effectiveness of that technologies in order for reduce organization risk is another objective of risk analysis. At the initial stage in organizations, risk analysis can be used for set out management priority for corrective actions in the future for right decisions. Any organization or industry cannot ignore the importance of risk analysis but it can only illuminate certain amount of risk within organizations. In other words, it has narrow scope and limited reliability.

Also, risk analysis generally addresses only a single risk agent. The selection of a particular risk measures is not valuable because of availability of different measures.

2.6 SLEPT Analysis

SLEPT is the abbreviation of social, legal, economic, political and technological factors. Understanding of costumers requirements and needs for a company is very important. To do this, environmental analysis is necessary for all kinds of organization. A SLEPT analysis is a tool that helps to analyze the environment. A SLEPT analysis is based on external factors that effects on the company's operation and consists of factors such as social, legal, economic, political and technological factors. (David & Geoff 2009, 525)

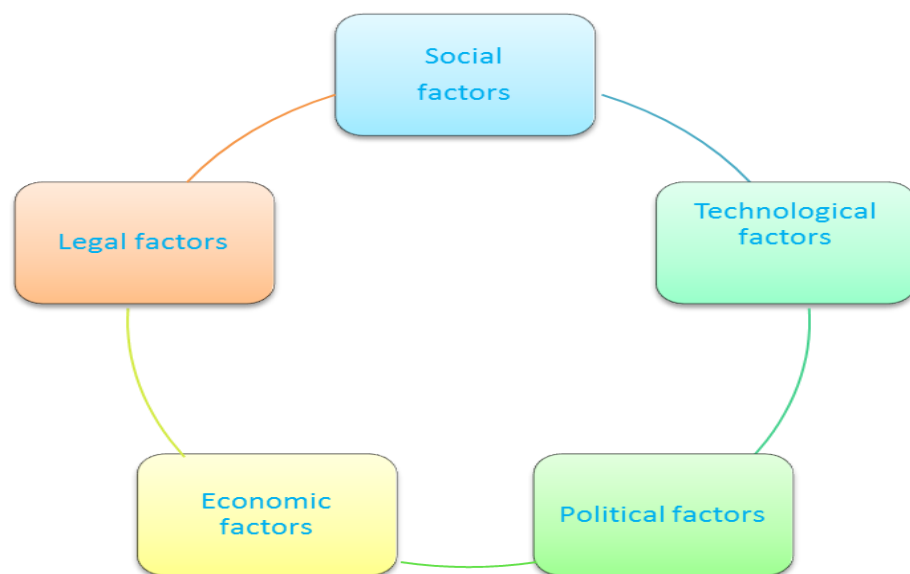


Figure 4: SLEPT Analysis (David & Deoffrey 2009)

All these factors are important to understand for management of any company. SLEPT analysis can be done in three steps: (Tekijat, 2009, 142).

- Identification of all factors that might impact on the defined market.
- Identification of each factor for the defined market.
- Determine how the factors combine and interact.

In order to make the SLEPT analysis, company needs to examine first the external environmental factors that are directly affects to its business. It can be done in two steps,

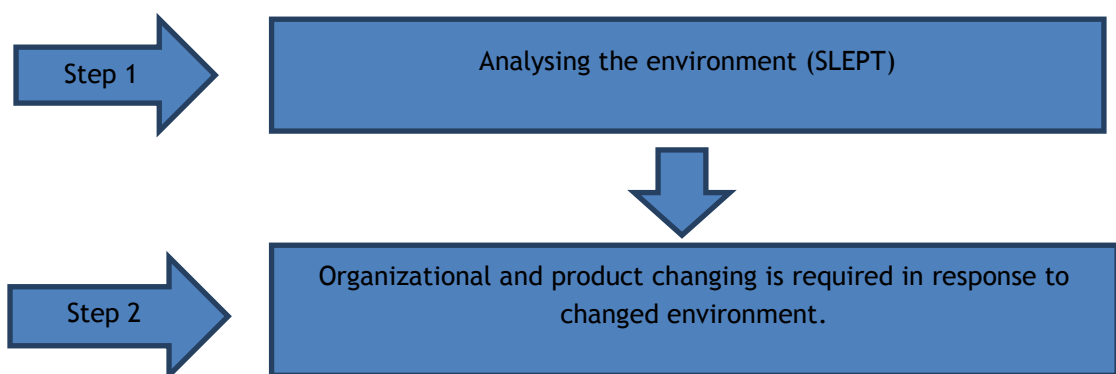


Figure 4: Analysis process (David & Jeoffry 2009)

All industries in these days are influenced by SLEPT. Some of the factors of SLEPT are affecting airlines and textile industry in these days.

2.7 Implementation of Risk Analysis for Textile Industry

Risk analysis is crucial for any organization. Risk management uses risk analysis techniques for valuable outcome. In spite of narrow scope, risk analysis helps for corporate management in order to determine and highlight the risks. Implementation of risk analysis is not define for a single industry but is can be used any type of organization. Textile sector is worthwhile in Asian countries whereas cotton is available in bulk quantity every year because of best cultivated atmosphere. Due to lack of resources, Asian textile industry is under crisis. There are multiple factors that affect the performance of industry.

3 Accidental Risk Analysis and Management of textile Industry in Pakistan

Pakistani textile sector is facing various challenges in these days and growth rate is low as compare to last decade. There are multiple reasons that become the reason of slow down the growth rate. Factors such as shortage of energy, old technology, political instability and lack

of government interest, currency fluctuations and decrease import by EU and USA. These are particular challenges that lead to the industry worst. In this section of thesis, overall view of textile industry and importance at local as well as international level will be explained in more detail.

3.1 Textile Industry of Pakistan -An Overview

Since the independence of Pakistan in 1947, textile industry is playing a significant role in term of GDP, employment, local and international market. Pakistan is leader in textile sector and has 4th positioning in the form of textile producer and 3rd largest consumer of cotton. In the past fifty years, textile sector is main driver of foreign exchange earnings and local job creation. There is no other sector that can replace to this industry. Garments sectors need special focus in future policies. (Horizonpak, 2008)

In fact it is backbone of Pakistan economy (Ezinearticles, 2007). Factors such as industrial capacity, contribution to exports, GDP and employment can be elaborated in separate headings.

3.2 Established Capacity of Industry

Textile industry has a total spinning capacity of 1550 million kilograms of yarn, weaving 4368million square metres of fabric and finishing capacity of 4000 million square metres. It has total production capacity of 670 million units of garments, 53 million kilograms of towels. (Fibre2fashion, 2007)

Large and small scale industrial units are working all over Pakistan. A survey report shows those 50 large public limited companies and 2500 small, a single base owner garments units are working. About 600 knitwear-producing and 400 towel-producing units are engaged in this sector.

3.3 Contribution to Export

In Asian Countries, Pakistan is 8th largest exporters of textile product. In export point of view, importance of this sector cannot ignore. In the last decade, more than 51% of total country's export in form of textile products amounts to 5.2 billion US Dollars annually. Textile sectors are considered the largest in Pakistan. Manufacturing sector growth is slow down in the last two years because of electricity shortage and capacity constraints. Textile sector is considered as backbone for the economy since the time of independence of the country. (state, 2009)

3.4 Contribution to GDP and Employment

Textile sector in Pakistan provides employment of 38 per cent of work force which amounts to 15 million. It includes both skilled and unskilled labour. Nearly, 8.5 per cent of Country's GDP share is from this sector. (Fibre2fashion, 2008)

3.5 Trading Partners

Textile industry is the largest source of foreign earning for Pakistan. Major trading partners in

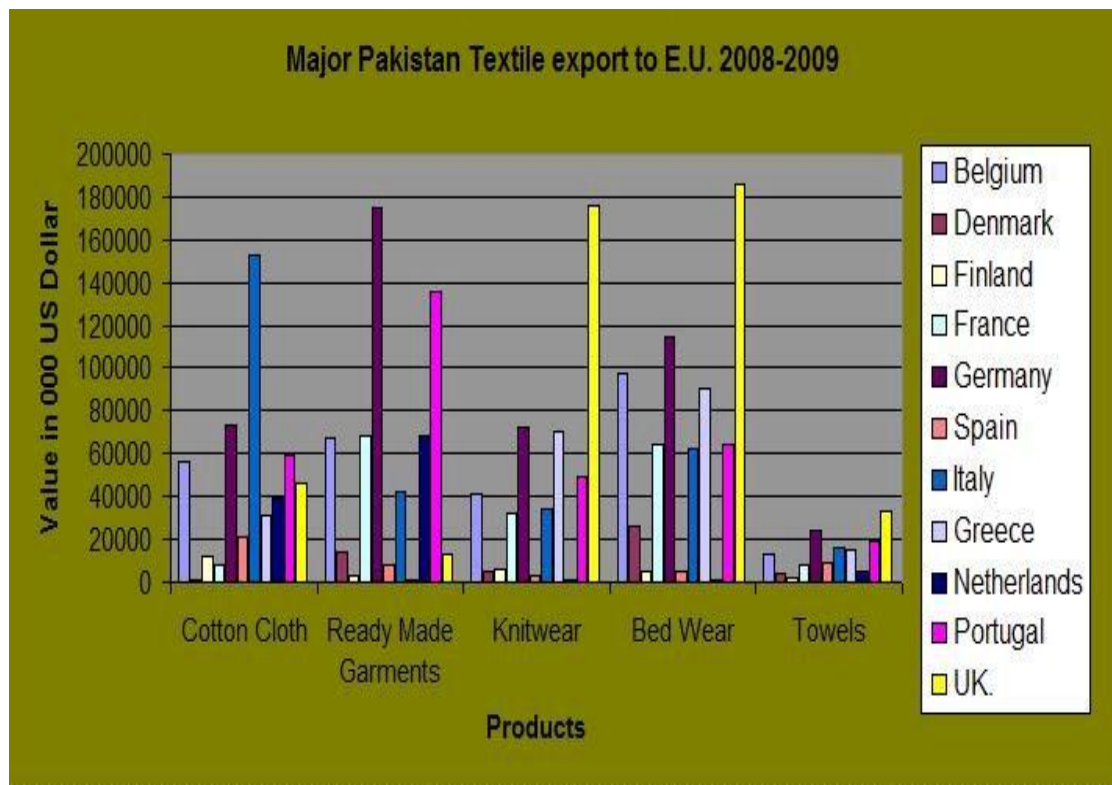


Figure 5: Major exports to EU Market (Data source from APTMA)

these sectors are U.S.A., E.U. countries, Canada and Japan. Export to these countries is under the quota system except Japan.

3.6 Textile Export Split in 2009-2010

Below is the figure that highlights the total textile products exported during 2009-2010. Knitwear, cloth and bed wear are major textile export to EU market and UK is main buyer in this category. Germany is next big market that imports mainly ready-made garments and Italy is the next in cotton cloth. Among Scandinavian countries, Denmark is main buyer of readymade garments and Finland export textile products of all types from Pakistan in minor quantity.

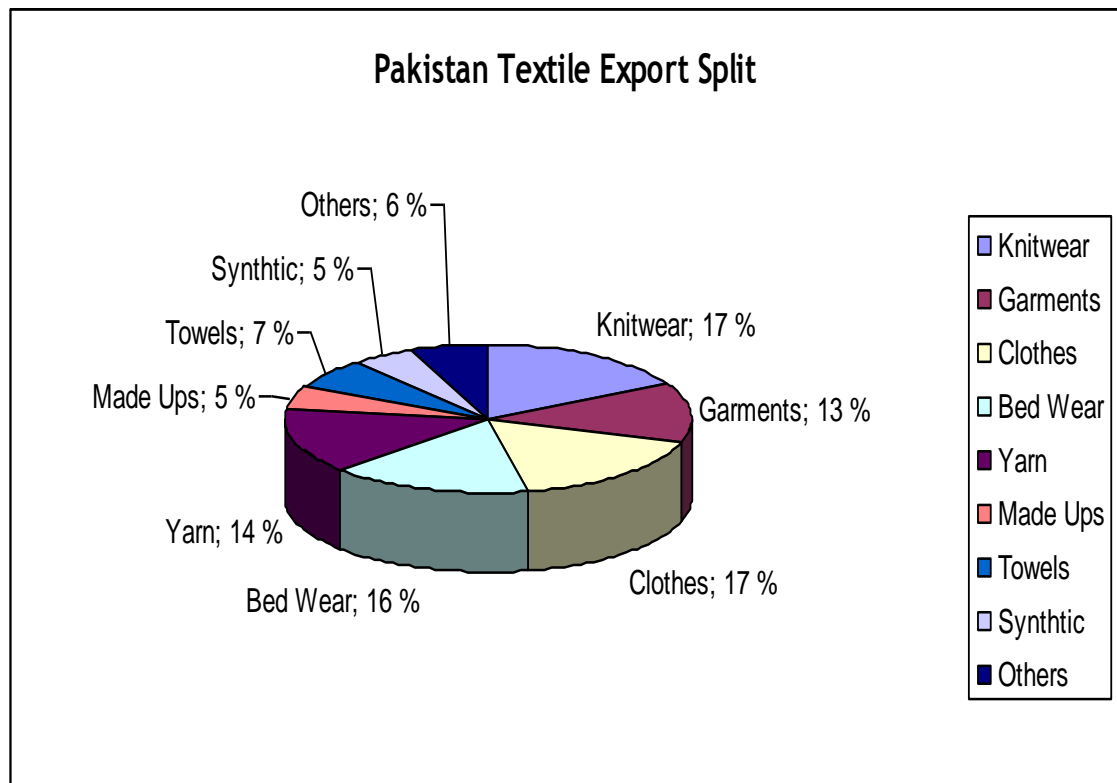


Figure 6: Pakistan Textile Export Split (Data Source from horizon, 2009)

In textile sector, Pakistan exports a major part of its products in form of clothes and ready-made garments to E.U. countries. In 2001, memorandum of understanding was signed between Pakistan and E.U. and in this agreement 15% quota was increased for Pakistani textile and clothing to the European Union countries. (Delpak, 2009)

Statistics show that major textile and clothing products exporting to E.U. are cotton cloth, ready-made garments, Knitwear, bed wear and towels. Other products such as knitted crouched fabric, tents and canvas and synthetic textile are export in minor volume to E.U. regime. Belgium, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Portugal, Spain and U.K. are main exporting countries. (Aptma, 2011)

3.7 Development of Textile Industry

Pakistani textile sector is considered backbone of the economy. Share of total export of the country is 54% and GDP is 8.5% of total annually. (Aptma, 2012)

Industrial growth is affected in the last decade because of multiple factors. These factors might be outside and inside of the country. World recession in 2008 is the big reason that directly affected textile sector. Rise in prices of raw material, labour cost, export duty,

constant increase of commercial electricity and gas prices are major issues that discouraged to the investors about investment.

Table shows below the facts and figure related to industrial growth. In the period, 2004 to 2009, there was decreasing trend of importing textile machinery.

Import of Textile Machinery (in million USD)

2004	2005	2006	2007	2008
928.6	817.2	502.9	438.3	212

Table 2: Import of Textile Machinery (Source: Federal Bureau of Statistics, Pakistan)

During that period, industry was facing many challenges and many of them at small scale level, shut down their operation. International political pressure after 11th September 2001 terrorist attack created a big problem for Pakistani Textile products especially in United States of America.

3.8 SLEPT Analysis

SLEPT stands for social, legal, environmental, political and technological factors. All these factors are external to the organizations. These factors have direct influence on the business.

○ Social Factors

Demography is vital for every business that has effect at social level. Study of the population is called demography. In this aspect, businesses are concern with two types of population. First is the total size of population of any country and then working population in that country. Almost 38.6 million of total population is able to work in Pakistan and total is 180 million. Population trend is changing dramatically in view of family structure and movement from town to major cities of Pakistan.

- Legal Factors

Local and central government influence over industrial sector is an external factor. Textile sector in Pakistan is directly controlled by the Ministry of textile and Industry of Pakistan. Every textile company is operating under the company's Ordinance 1984 and must follow all the regulation set by this Ordinance. In 2010, government of Pakistan has levied .5 % minimum tax on domestic sales and 1% withholding tax on export of textile products. (Aftab et al 2010)

- Environmental Factors

Environment is one of the biggest issues of social, political and economic point of view in this century. There are several active bodies that have direct influence over the business and effects on its operation. NGO,s and international organizations such as United Nation enforce to shot down business activities that are harmful to the environment. In metropolitan areas of Pakistan, textile companies have shifted its firms to rural areas because of external political and social pressures.

- Technological factors

Technology is changing rapidly and investment is expensive for the businesses. Incorporation of new technology is obligatory for surviving for every firm and organization. Investment on research and development can be beneficiary for businesses. Pakistani textile sector is failed to invest on cotton sector and facing challenges for competing other Asian textile industries. Because of low profitability in cotton crops, farmers are shifting their crops to other subsequent for example sugar cane. Moreover equipment and machinery are obsolete of textile industry and production volume is quite low and lack of new technologically machinery cost of production is quite high as compare to other Asian countries such as India, Bangladesh and China.

3.9 SWOT-Analysis

SWOT stands for strengths, weaknesses, opportunities and threats. SWOT analysis is key tool in strategic planning. It focuses on the internal and external factors of the business and helpful for assessing the industry and to developing strategies in order to remain competitive in the market. SWOT analysis is a tool that can apply by individual, small, medium and large scale industry for many purposes. Besides, this kind of analysis is even helpful at national and regional level. Scope of SWOT analysis is limited and all the strategic decisions solely are not made on the result of this analysis.

SWOT analysis of Pakistani textile industry is very important because of understanding overall scenario of the industry and can able to compare with competitors in Asia. Below is the SWOT analysis of the Pakistani textile industry.

STRENGTHS	WEAKNESSES
Self sufficiency of raw material Fourth largest producer of raw cotton Availability of Cheap labour force Ever new designs for export products Industrial manufacturing facilities Largest foreign exchange earnings	Obsolete equipment and technology Poor infrastructure of the country Lack of research and development Noncompliance of corporate social responsibility Untrained labour force Unstable political situation Poor supply chain management of industry
OPPORTUNITIES	THREATS
Idea of new textile city International marketing mechanism Joint venture with foreign companies Reducing the cost of production Image building of the country Production of high value products	New competitors in the market Quota system Modernization

Table 3: SWOT Analysis of the Pakistani Textile Industry

4 Research Methodology

In this section of thesis, research method used for empirical study and research tools will be explained in detail. The selection of research method is based on the design empirical study.

Target objective of the research has highly influence about the method selection process. The basic objective of this research is to find out the major reasons and factors that are affecting to the Pakistani textile industry in these days.

4.1 Research Method Used

With regard to the aim of this thesis, consideration has been given for fact findings at macro level of the textile industry. Thus, empirical study is based on the subjective rather than objective. Qualitative research method has been used as the primary research method in this thesis with the approval of thesis supervisor because of the nature of empirical study.

There are several ways for classifying research methods but the most common way is qualitative and quantitative. (Michael 1997). Both methods are empirical and suitability of the method is depending on the type or nature of research. In most cases, quantitative method is used and developed for natural sciences for natural phenomena. Qualitative research method helps for study social and cultural phenomena. In-depth interviews, questionnaires, documents and researcher's impressions and reactions are key examples of qualitative research method. (Myers 2009).

There are many advantages of qualitative research method include (Bryman et al, 1988; Alvesson 1996): Qualitative method is flexible and can follow the unexpected ideas during research and provides ability for researcher to understand closely the view point of respondents as well. Besides, it helps to support new ideas and theories.

4.2 Participants

This research study was conducted among the professionals and experts involve in the textile industry. In depth interviews and practical knowledge was an attempt during the empirical study. It was useful for getting opinions about small to big industrial sector and managerial role as well. During personal visit for interview in Pakistan, 3 were answered out of 7 and 1 was interviewed at phone out of 4.

Among four respondents, one was owner of the company, 2nd was the board member of chamber of commerce and industry, 3rd was the internal auditor of limited liability company and 4th was the regional chairman of the textile association. Personal suggestions and comments were provided by every respondent as additional information about the current industrial operation.

4.3 Data Analysis

Interview questionnaires were prepared for macro analysis of the industry and analysed in order to explain the most important facts that are necessary for the research propose.

Expert's opinions were central conclusions of the problem in this thesis. In the empirical section of this thesis, fundamental elements such as role of All Pakistan Textile Mills Association (APTMA), shortage of energy resources (gas and electricity), political interest and inflation etc. investigated at national level. External factors for example World Trade Organisation (WTO) and International Monetary Fund (IMF) influence were also part of research phenomena.

Below are the internal and external factors as a part of research

Internal factors	External factors
<ul style="list-style-type: none"> - Energy Crises - Risk of Shifting Industry to Bangladesh - Political interest - Inflation (raw material prices, wages). - APTMA performance 	<ul style="list-style-type: none"> - Global Recession - International Monetary Policy - US and EU Effect

Table 4: Internal and External factors for the Pakistani textile industry

5 Empirical Findings

In this section of thesis result of interview, analysis of documents and findings of the research will be discussed in detail. The aim of the study was attempt to explore the answers of the question, 'what are the factors that are affecting to the Pakistani textile industry's smooth operation in the last three years?' The results of research are analysed through qualitative patterns and major factors are highlighted during research. Interview analysis has been elaborated while keeping in mind the answers from the respondents in general. Actual risk analysis of Pakistani textile industry will cover in this section of thesis. Both internal and external factors will be studied in detail in same section.

5.1 Internal Factors

Internal factors that are effecting to textile industry in Pakistan during last couple of years are energy shortage, political instability, industrial shifting to neighing country, corruption

and monetary policy of the country. These factors are major concern as internal factors of this thesis study and explain in detail.

5.1.1 Energy Crises

Being a developing country, it is hard to overcome the energy problems but it does not mean that whole year load shedding is acceptable at all. While interviewing with Mr Pehlaj, owner of textile mill, energy related facts were discussed. He said that during the last three years, the largest export sector of the country is facing critical challenge that is out of control for management. Almost every part of the country load shedding is common phenomena. Textile production capacity, because of this reason has reduced by 25-30 per cent. Being a major export sector of the country, economic growth is heavily dependent on it. In term of foreign exchange textile sector contribution is almost 10 million US dollar every year but in the last year, thirty per cent loss in the production of textile products caused by energy shortage in Pakistan.

Textile mills operate twenty four hours in three shifts if electricity is available according to requirement, but current situation is less than eight hours electricity supply is providing to the sector. As a consequence, international trade and export orders have been reduced gradually. Respondent further added the comments that during his eleven years textile career, it is first time when alternative energy resource like natural gas is also short in the country.

International competition is effected badly because of high production cost of textile garments, as entrepreneurs are trying to use alternate energy resource in the form of generators that lead to double the cost of productions. While interviewing, he showed the documents about 17 per cent export decrease in November 2011 as compared to last year following month. He further added that government subsidy is not for industrial sector in form of special tariff of electricity. Few small scale industrialists tried to use alternate energy resource for industry and installed captive power plants (CPP) for production of electricity by using natural gas as cheap fuel but desired results were not achieved by spinning industry and project has failed in spring 2011. June and July are considered peak season for textile industry, because of raw cotton ready is available for processing. In the year 2011, Sue North Gas Pipe Lines (SNGPL) has cut off the supply for almost 100 days to all textile mills because of shortage, and consumption of natural gas during summer is considered less at private sector as temperature is high enough in Pakistan. It has happened first time in the history of Pakistan.

As we all are well aware that Pakistan has significant mineral resources like natural gas, crude oil and petroleum, according to Mr. X. We have no excuse to say about shortage of gas and even it can be available at cheaper price as compared to neighbouring countries like

Bangladesh, India and Iran. India is given most favoured nation and opens its borders for trade and investment all over the world because of proper government policies for enhancing international trade. We on the other side live in the past two hundred years era and try to overcome at basic infrastructure. Our quality product and professional know how is at risk because of losing image at international level. Growth rate is about 2% in the last three years as compared to last decades when it was above 9% annually. During the last four months estimated loss is 882 million dollars in the Punjab province industry and cancelled many foreign orders.

When I (Aamar sohail) asked the question to Mr. X about the alternate energy resources especially for textile sector, he was unable to explain and pointed out about the All Pakistan Textile Mills Association (APTMA) future policies. It is official policy that can work if APTMA and ministry of textile and industry sit together and take it seriously. It is hard to say about the possibility because of project cost for importing electricity and gas from neighbouring countries. During November and December 2011, gas supply to all the textile industries has stopped until further notice and now we (Mr.X) are only dependent on the electricity for few hours every day. Shortage of energy in the form of electricity and gas cause a approximately loss of one million every day in Punjab, that is hub of textile industry in Pakistan

5.1.2 Risk of Shifting Industry to Bangladesh

According to MR. Saqib, during interview he explained that as a major export sector of Pakistan, it is shocking news for economy of the country about the shifting textile business to foreign region. There are many factors that are encouraging the businessmen to move their business from Pakistan to Bangladesh. Shortage of electricity and gas are not the only reasons for moving out but many other factors are involved in the scenario. Bangladesh is among the least developed nations according to US and EU and it is considered privileged nation. Many super powers are assisting to the country for building up infrastructure and decreasing the unemployment rate. Bangladeshi textile sector has been sponsored by United States and European Union.

Every year, millions of euro are provided by EU for enhancing the textile sector in the country and supported in the form of modern machinery and know how. Country has preferential treatment in the EU and US as that said by finance minister of Pakistan. Textile industrialist is trying to get the advantages of more profit while shifting their business in Bangladesh.

Industrial investment is considered backbone for any economy and plays prominent role for employment and development of the country. Pakistan is agricultural base country and more than 70percent of population is engaged in this sector. According to the survey reports, more than 40 per cent of textile industry and 200,000 power looms have already shifting to Bangladesh during the last five years that are alarming situation within the country.

Unemployment rate become very high during that period, and Punjab province that is so called biggest textile region of the country is affected in term of unemployment. Almost .2 million families are affected directly and indirectly in the Punjab after shifting the industry said by Mr Pehlaj.

Respondent highlighted some other facts about the moment of industry to the Bangladesh. In Bangladesh, cheap labour force of both sexes is available as compare to Pakistan and captive power generation using gas as fuel is cheaper than other Asian countries. In the preceding paragraph, it has been highlighted that EU and US already declared Bangladesh as preferential country so general system of preference (GSP) will remain until 2015. Besides all of these, Bangladeshi Government is encouraging foreign investment because of privatization and supported many cash incentives for the investors in this sector. Opportunity is available for Bangladeshi industry to expand its market share to EU and US markets because of GSP and many other incentives at the moment. But Pakistani industry is unable to get these types of benefits and discouraging present and new investors to invest in the country.

5.1.3 Political Interest

Pakistan is developing country and almost 38% of employment is providing by textile sector and considered major export sector of the country. In other words, we can say that economy is almost dependent on textile sector and interest of government and semi government institutions is highly recommended for the time being. Industrialists and public are refused to accept government policies about this sector. It is the duty of state to facilitate to the sector for well-being of the country. There are several factors in this regard that proven to be the lack of political interest in connection to the industry.

Respondent has provided quite serious answers when asked about the government policies and law maker's institutions of the country. Since the independency of the country, there was growing trend in the textile sector each year and total export increased at each decade. Below are few fundamental aspects that can be discussed in detail. (Arshad, interview 27 Nov 2011)

5.1.4 Corruption

According to Mr Saqib, crises started when new elected parliament was taken control of the country in 2008. Disappointment is everywhere now a day and almost all industrial sectors are facing new challenges including railway, national airline of the country and Pakistan steel mill as well. During the last four years, performance of the government is unsatisfactory. Corruption is everywhere even at private sector and includes many departments of the government. Ministers have proven corrupt and Supreme Court of Pakistan is taking actions against them. It is reality that government official are unfaithful and collects illegal money

and transfer to foreign country accounts. There was clash between Supreme Court of Pakistan and President of the country about money laundering. Billions of dollars has been transferred to Swiss bank accounts by the ministers. Federal government always promises with industrialists and with public about the betterment and doing nothing in this regard.

5.1.5 Monetary Policy

There is tight monetary policy imposed on textile sector by government and increase the cost of production. Withholding tax of 1% also impact badly on production and high interest rate financing cost increases. All major financing institutions financing to the industry at high interest rate also effect on production of textile. State Bank of Pakistan tightened the monetary policy for this sector. There is no serious measurement on the government side to solve the problems.

5.1.6 Subsidy for Textile Sector

Unlike India, China or Bangladesh there is no subsidy available for Pakistani textile industry at all. During 2010-2011 reintroduction of 0.5% of minimum tax on domestic sales and 1% of withholding tax on all textile import that is another shock to the industry. Local sales also become unfavourable because of high mark-up rate that bound to the industry for increasing prices and operate under limited resources leading to discourage textile business. Public and private firms are between the lines and have no other options except shutting down or shifting business across the border. Even federal government is well aware about the dilemma and never revised the law (Mr. X, interview 11Nov 2011)

5.1.7 New Investment

Any industrial sector of the country requires state of the art machinery and equipment for cost effective and quality of the product. Because of limited resources available, it needs external loans at low mark-up. Pakistan is 8th largest textile exporters among Asian countries. Industry is facing among other challenges, of low productivity because of outdated machinery. It has been discussed earlier that minimum 1% of withholding tax levied on all import of textile and article etc. Without government assistance, it is difficult to invest on new textile machinery.

To become the stable competitor in international market, it is urgent need for heavy investment at present. In 2011, more than 36 billion US dollar investment is required for installation of new textile machinery otherwise, it is impossible to achieve government export target during fiscal year 2011-2012. Foreign investment is rapidly decreased in all sectors because of internal conditions of the country especially in textile sector. Now only a single option can be avail by the industry if government put a mercy hand on it.

5.1.8 Inflation

Inflation has direct impact on industrial sector especially during last couple of years, respondent said while interview. Production cost increased because of high interest rate and devaluation of Pakistani rupee. It makes more difficult for textile industry to compete in Asian textile region. Inflation is considered a general rise in price level during a particular time period, and decreases the value of money. Controlling the inflation is fundamental task of any government as it has adverse effect on the economy growth.

Textile sector is badly affected due to high production cost and double the inflation rate within the country. Export of textile product has been decreased since 2009. In Pakistan, demand-pull inflation exists when economy is demanded for more goods and services than available. It is time period when sellers get a chance for increasing the prices of goods and services. Prices of electricity and gas have three times since 2008 because of increase demand within the country. In summer, more electricity require and during winter gas demand become high and federal government of Pakistan charge high prices without any subsidy regardless of domestic or industrial consumption.

The same trend has been seen in petrolatum products. Prices are reviewed and increased each month of crude oil in the country. At the end of 2011, price of petroleum products has been double as compare to 2007. More than 100% taxes are included in the price of petroleum that has direct and indirect impact on textile sector. It is shameful for the nation that no officials are interested to subsidy this unique sector. If there is no employment opportunity available in the country, then surviving become harder and economy starts facing new other challenges that lead to increase the crime rate in the society (Saqib, interview 4Nov 2011)

5.1.9 Research and Development

Economy of Pakistan is agricultural based and most suitable land for cultivating because of four seasons. Country can produce enough quantity of products for domestic consumption and even for export. During the last 64 years, this sector is always ignored and no proper policies are made by institutions and provincial government. High quality of cotton can be available and produced if farmers are encouraged to do that. Pakistan is lack of research and development that resulted at low quality of cotton as compare to other Asian country like China and India. Farmers are shifting to others crops because of low profitability in cotton. There is no guarantee for best price of cotton crops to farmers and fertilizer and seeds are more expensive each year. The ultimate result on textile industry is high prices of raw cotton and some times, importing the higher price cotton while paying duties.

5.1.10 APTMA Performance

All Pakistan Textile Mills Associations (APTMA) is premier national trade association and considered largest of the country. Almost four hundred mills are members of this association. There are many benefits available for member of APTMA. It has vital role for textile sector. Necessary steps including promoting, supporting or opposing legislative and other serious issues effecting trade are taking by this association. It plays a central managerial role for textile industry as it is not possible to meet individual mill owner to the authority. It is representative to the local, provincial and central authority to discuss the matter concerning textile trade and commerce or manufacturing issues.

Membership is not compulsory for all textile mills and firms. But there are other benefits to become the member of APTMA. Partnership and sole proprietorship can become the member of association which operate machinery for spinning, dyeing, twisting or otherwise processing of yarn for sale. Annual subscription has to be paid by members for maintaining offices and staff of association. Most textile industries are sole- proprietor and hence APTMA supervision is helpful for many purposes. It strengthens the industry for more competitive among other Asian countries while providing updated information and training for best use of resource and decreasing the cost production.(APTMA, 2012).

5.2 External Factors

In this section of thesis, as part of empirical study few external factors will be explained in detail. International Monetary Fund (IMF), EU and USA have direct and indirect influence on textile industry of Pakistan.

5.2.1 International Monetary Fund (IMF)

International Monetary Fund (IMF) is agency of United nation, but it has its own charter, structure and finances. Through quota system members are represented from all over the world and 187 member countries. IMF is working in three ways for assurance of international system stability. The first target is keeping track of global economy and member countries economy. The second is lending money to countries of balance of payment problems, and third is providing professional assistance to help especially developing and third world countries. (IMF, 2011)

IMF mission is to provide microeconomic, financial and structural policies to its member countries for keeping in track the economy at regional, national and global basis. The agency (IMF) is lending money to counties having financial difficulties and that have no other alternative option for loan at flexible terms and conditions. Regardless of countries' economy, it provides loan if a country need for balance of payment and if it cannot find

sufficient financing in capital markets to make international payments. Agency says that it is not development bank and different from World Bank and other development agencies and hence not financing to any projects. IMF has its own policies for funding and providing loans to different countries at different terms and conditions. (Lending By IMF, 2011)

Pakistan is member country of IMF since 11th of July 1950 and granted loan several times for balance of payment from IMF. The lending terms and conditions are quite hard for Pakistan because it is a developing country. IMF has many poverty reduction and growth facility programs for the time being, but no one know exactly the situation according to Mr X, the interviewee. There are different circumstances exists if we talk about the relationship of IMF and Pakistan.

In 2008, IMF approved loan amount of 5 billion US dollar for Pakistan for 23 months period. It is unclear terms and conditions of loan because of inflation in the country. Experts say that IMF enforces its own policies about the consumer's products price in the country that leads to public burden in many forms. For example, in July 2009, IMF delegation visited Pakistan and met with President and prime Minister of the country. During meeting IMF instructed about the increasing prices of electricity and petroleum. About 2% each month increase prices of electricity in the form of different taxes for next seven months and Pakistani federal government then followed that terms and increased prices. Electricity prices are three times more as compare to 2007 prices. Before five years, unit price of electricity was about 3.4 rupees and now a day it goes high and almost 14 rupees for consumers plus additional taxes. There is no other reason but IMF policies. Meanwhile, during meeting with delegation in 2009, both president and prime minister requested for reform federal textile tax exemption, but they refused for that. (Mr. X, interview 11Nov 2011)

Because of this fundamental reason, Pakistani textile sector is losing hopes for control over the crises. Including other sectors, textile is indirectly affected due to IMF regulations that further creates critical situation in the country like inflation rate, unemployment and corruption.

5.2.2 Global Recession

According to the respondent, Pakistan is ranked at 26th in term of the largest economy of the world. Recession is term that is used by economist for explaining Gross Domestic product meaning that reduction in GDP of a country in a specified time period. If we talk about the economy of Pakistan, then country is considered highly industrial. Agriculture is become the basic reason for industrial growth in the country. Textile sector is biggest as cotton crops is cultivated at large area of the country and overall economy is dependent on it directly and indirectly.

Global recession started in 2008-2009 and every country of the world at macro level and almost all industrial sectors were affected. Likewise, Pakistani textile was also affected during that period and received international export orders at reduced rate. Unfortunately, there were multiple reasons for slump inside the country.

It is important to consider again the political instability over the last few years. Government of Pakistan is playing childish role if we see overall scenario within the country. There was no proper planning made at the right time even for any sector including railways, airlines etc. of the country. Industry is discouraging even now a day. Meanwhile, this caused very high rate of inflation in the country.

In 2008, inflation rate was jumped dramatically from 8% in 2006 to 24 in 2008. Within 22 months only, there were very serious changes happened in the country and lead devaluation of Pakistani Rupee. Before 2006, exchange rate was 1USD#60 PRs and in 2008, it was 1USD# 83PRs. Then prices of commodities were really high during that time period and number of people living below the poverty line was increased from sixty million to 82 million. Of course, whole system chain was totally craped and prices of gas and electricity high enough and surviving was difficult for society.

All of above factors directly effected on the textile industry and demand of product was decreased locally and internationally. International orders cut down as there was no surety of political stability in the country. Unemployment was very high and standard of living dropped down. (Mr. X, interview 11Nov 2011)

5.2.3 US and EU Effect

Major export partner countries of Pakistani textile industry are EU, USA, Canada and Japan. All these countries are import textile products from Pakistan at quota system (except Japan). Major influence on industry is from USA as more than 60% of total export partner of country is US.

As an external factor, USA and EU policies related to Pakistani trade are tightened. There is no single reason for policy making by these two super powers. Respondent highlighted few aspects in connection with terrorism and war in Afghanistan. There are political pressures from NATO and US about the support and co-operation for war against terror. In case of dispute among the nation, that directly effect to the trade and commerce.

A recent survey report showed more than 50% of textile export orders had been cancelled during 2009-2010 by USA voluntarily. The same was happened if we talk about EU market. European firms prefer to buy textile product from other countries at a cheaper rate instead to go to Pakistan. Meanwhile, USA imposed high tax on import of Pakistani textile products

that lead in a bad manner of Pakistani export to USA. Preferences are giving to Bangladeshi products over Pakistan.

6 Summary on Empirical Findings

As a student of Business management, the researcher tried to find the facts about Pakistani textile industry, its significant and factors that are effecting for smooth operation within the country. Risk analysis and role of risk management at industrial level has been explained in the theoretical part that support to the empirical part of this thesis.

Pakistani textile sector is facing toughest time period during the last couple of years. During research, main aim of the study was to facts findings of textile industry. Textile sector is facing multiple challenges starting since 2008. According to the findings through interview, there are internal and external factors are major reasons for crises until today. Economy of Pakistan is declined significantly.

One of the internal factors is the shortage of electricity and gas to the industry leading to other serious factors. Load shedding is common phenomena and it is available only for few hours within 24 hours. Gas supply is stopped for industrial sector during number and December last year that is alternative energy source for sector. Prices of electricity and gas have doubled during last three years because of demand and supply curve. On the other hand, cost of production of textile products has been increased that effect very badly at domestic and international market.

Furthermore, inflation has doubled during period 2009-2010 and financing cost is seriously very high that discourage the growth of textile sector. Financial institutions and private finance companies risen the interest rate at borrow money because of tight monetary policy implemented by the state bank of Pakistan. Pakistan export has turned down during the last three years because exporters cannot reach and market effectively because of adverse travel condition of foreign buyers to Pakistan and exporters are facing difficulties for getting visa to foreign countries. In 2009, Canadian high in Islamabad commission refused almost five hundred business visas to Canada for attending world textile fair in Toronto and hence lost many export orders.

Other internal factor is the lack of political interest in this sector. Government is not responding positively to the industry and there is no incentive in term of tax and duty at export products. Foreign customers demand from the federal government about the security so that they can able to travel to Pakistan and fix meetings with organisation for business issues but is it taking lightly by ministers. Lack of research and development is another issue concerning the proper cotton crops and exact demand of raw cotton that could be available for local industry.

There are high duties imposed on import of textile machinery that become so expensive for importers. Recently, production is very low as textile machinery and technology is obsolete and replacement is become important in order to compete regionally. Devaluation of Pakistani rupee becomes the reason of high cost of imported textile inputs to the country.

Another critical issue is shifting textile sector to Bangladesh during last year and economy is disturbing badly. Owners believe that Bangladesh comparatively is better place for doing business in many aspects. Most population of Punjab is dependent on textile sector and after industrial shifting trend; unemployment rate is high every day that leads to social problems like street crimes, looting and bribery. Reintroduction of 1% withholding tax on all import of textile products and .5 % on all domestic sales play role of accumulated high price of textile products and international market price is very high as compared to India, China and Bangladesh.

External factors including IMF policies and trade with EU and USA have adverse effects on the sector. Pakistani government borrowed money from IMF at restricted terms and conditions including inflation rate and consumer products prices. Increasing tariffs rate of electricity and petroleum is the fundamental condition of IMF loan. US has imposed import duty of Pakistan textile products that become the reason of decline of export orders to major markets. EU market also has same kind of trade policies in respect of Pakistani products. In contrast, Bangladesh has been most preferential country declared by EU and USA until 2015.

7 Suggestions

In this section of thesis, suggestions and recommendation related to Pakistani textile industry will be explained. As textile sector is considered the largest one in term of export of the country. Suggestions are not based on expert view as researcher level of knowledge. It is based solely on academic approach level and research findings through interviews.

The issue is at national level and not under the control of specific body or organization. At first level, Pakistani government should take considerable steps for solution. Major reason is the energy crisis that can control easily within the country. These days, electricity is only generated with diesel and hydro power mechanism. As research reports indicated the results that, Pakistan has natural coal in bulk quantity that can be easily used for electricity generation for the next five hundred years. It needs new technology and know- how to shifting plants for that purposes. Foreign companies should encourage by federal government to invest in this sector. Few Chinese based companies are interested to invest in this regards. New energy resources must be generated immediately to overcome this critical issue. Being an atomic power nation, nuclear plants should shift to generate electricity at cheaper rate.

It is an urgent need to change monetary policies by the state bank of Pakistan for solve out financing issues. Loan money must be available at cheap interest rate to the sector in order to tackle the financial difficulties. All Pakistan Textile Mills associations (APTMA) and all regional chamber of commerce should sit together and draw future policies related to enhancing the textile sector. In the country, next year is election year and it is predicted that the new government will play a vital role for serious issues in connection with the industry.

It is time to remove all kinds of duties and taxes on import of textile machineries for the time being, and the government should encourage to private owners for reshaping their industry and install state of the art machinery and technology for smooth operation for high production level. Foreign investment should be made more attractive, while soften the regulation of establishment of companies for the next few years. Research and development might be in constant whole year so that for domestic availability of cotton. It is time to support and assist farmers for cultivating cotton crops while offering guaranteed price. Training of labour is very necessary as illiteracy level is quite high in the country.

Security issues such as bomb blasting and terrorism risk must be minimised and create a better atmosphere for industrial operation. External political pressures should not affect for any industrial sector besides textile in particular.

There must be policy about controlling over of shifting this sector to Bangladesh while offering better or same incentives as these are in Bangladesh. Having limited industrial opportunity and lack of new foreign investment in the country, saving current industrial operation is needed. Foreign offices and high commission at Islamabad should issue visas to genuine and real businessmen for foreign travel for business purposes. Almost many developed countries of the world have now out of recession. External factors, such as IMF, EU and USA trade policies should be revised. Negotiations and dialogue between the states can play a positive role for promoting trade. EU is reviewing about the trade policies in conjunction with Pakistan about abolishing the excise duties on import of Pakistani textile products and might be offer more quote in this aspect. IMF policies should revise about the inflation rate in the country and tariffs of consumer prices such as electricity and petroleum.

References

Aven, T. 2008. Risk Analysis-Assessing Uncertainties beyond Expected Values and Probabilities. West Sussex: John Wiley & Sons.

Al-Thani, F. and Merna, T. 2008. Corporate Risk Management. West Sussex: John Wiley & Sons.

Broder, J. and Tucker, G. 2012. Risk Analysis and the Security Survey. Waltham: Butterworth-Heinemann.

Cohrssen, J. and Covello, V. 1989. Risk Analysis: A guide to Principles and Methods for Analyzing Health and Environmental Risks. Springfield: U.S. Department of Commerce.

Jobber, D. and Lancaster, G. 2009. Selling and Sales Management. Essex: Person Education Ltd.

Leinemann, R. 2009. Matchcode Marketing Manual. Berlin: Herstellung und verlag.

Sadgrove, K. 2005. The Complete Guide to Business Risk Management. Burlington: Gower Publishing Company.

Vose, D. 2008. Risk Analysis-A Quantitative Guide. West Sussex: John Wiley & Sons.

Electronic Source:

< [http:// www.apmta.org.pk/Energy Management Cell](http://www.apmta.org.pk/Energy%20Management%20Cell)>
[WWW Document] (Accessed 2 Dec 2011)

Pakistan Textile Sector < [http:// http://horizonpak.com/db/Reports/research.pdf](http://horizonpak.com/db/Reports/research.pdf)>
[WWW Document] (Accessed 18 Oct 2011)

Risk Management Standard
http://www.theirm.org/publications/documents/Risk_Management_Standard_030820.pdf
[WWW Document] (Accessed 7 Sep 2011)

< [http:// www.ga.gov.au/image_cache/GA10820.pdf](http://www.ga.gov.au/image_cache/GA10820.pdf)> [WWW Document] (Accessed 17 Nov 2011)

Risk Management Process. www.mapl.com.au/risk/risk2.htm [WWW Document] (Accessed 23 Nov 2011)

< [http:// www.treasury.act.gov.au/actia/Guide.doc](http://www.treasury.act.gov.au/actia/Guide.doc)> [WWW Document] (Accessed 5 Oct 2011)

[http://ezinearticles.com/ The-Pakistan-Textile-Industry---An-Overview&id=708009](http://ezinearticles.com/The-Pakistan-Textile-Industry---An-Overview&id=708009)
[WWW Document] (Accessed 4 Oct 2011)

< [http:// \(http://www.fibre2fashion.com\)](http://www.fibre2fashion.com)> [WWW Document] (Accessed 10 Oct 2011)
< [http:// www.delpak.ec.europa.eu/eupaktrade/New-EU-Pak-Trade-May-04.htm](http://www.delpak.ec.europa.eu/eupaktrade/New-EU-Pak-Trade-May-04.htm)>
[WWW Document] (Accessed 17 Nov 2011)

<<http://www.state.gov>> [WWW Document] (Accessed 23 Nov 2011).

Michael, D. 1997. Qualitative Research in Information System [WWW document]
<[http://http://www.qual.auckland.ac.nz/](http://www.qual.auckland.ac.nz/)> (Accessed 2 Dec 2012)

Sonia, O.2004. Qualitative Research
 <http://http://wagner.nyu.edu/leadership/publications/files/Qualitative_Research.pdf>
 [WWW Document] (Accessed 14 Oct 2011)

Our Work, IMF 2011 <http://www.imf.org/external/about/ourwork.htm>
 [WWW Document] (Accessed 19 Nov 2011)

Arshad, M. Interview with internal auditor. 27 Nov 2011. Nasir and Company Limited. Faisalabad.

Saqib, M. Interview with finance manager. 4 Nov 2011. Caritas Pakistan. Faisalabad.

Umar, P. Interview with owner of textile mills. 8. Nov 2011. Umar Spinning Mills (PVT) Limited. Karachi.

Y, X. Interview with regional chairman. 11 Nov 2011. All Pakistan Textile Mills Associations (APTMA). Lahore.

Lists of Figures and Tables

Figure 1: Outline of the thesis.....	8
Figure 2: Risk Triangle (Crichton, 1999)	9
Figure 3: Risk Management Process (Adapted from AS/NZS 4360:2004)	14
Figure 5: Analysis process (David & Jeffry 2009)	18
Figure 6: Major exports to EU Market (Data source from APTMA)	20
Figure 7: Pakistan Textile Export Split (Data Source from horizon, 2009)	21
Table 1: Risk Description (Adapted from Risk Management standard - IMRIC, ALARM, IRM: ...	13
Table 2: Import of Textile Machinery (Source: Federal Bureau of Statistics, Pakistan)	22
Table 3: SWOT Analysis of the Pakistani Textile Industry	24
Table 4: Internal and External factors for the Pakistani textile industry.....	26

Appendix: Survey Questionnaires

Following questionnaires are prepared by the researcher for research purpose. It is work of a bachelor degree student of Laurea University of applied sciences, Finland. The basic purpose of the interview is to find out the facts that are belonging to Pakistani textile industry. Findings will be used only for research purpose and completion of bachelor thesis.

Interview questionnaires have been prepared for exclusive use of thesis project. It is face to face and telephonic interview. Name of organization or association where interviewees are working will be highlighted in thesis.

1 What is your Position at current organization?

.....

2 How long have you been performs your duty at current position?

.....

3 Do you have past experience of any other organization related to same field?

.....

4 Do you think that Textile sector of Pakistan is performing satisfactory role in during the past three years?

.....

5 Survey reports shows that Pakistani textile industry is facing a number of challenges starting from 2008 until present. Do you agree about these findings?

.....

.....

.....

.....

6 Among other major issues such as currency devaluation, political instability etc., related to industry in these days, one is energy resource including electricity and gas. Are there any alternative plans available for solving this matter?

.....

.....

.....

.....

7 Many small sector industry is already shutdown their businesses. What are core reasons for closing that kind of business in textile sector?

.....

.....

.....

.....

8 Do you agree that lack of political interest is directly affecting textile industry from the last few years?

.....

.....

.....

.....

9 Prices of cotton and labour cost increases dramatically in last few years. Is there any effect of increasing pricing about the operation of textile industry?

.....

.....

.....

.....

10 Survey reports highlight the facts that large scale public companies are interested to shift business across border like In Bangladesh. What are critical reasons for moving business there?

.....

.....

.....

.....

11 Do you satisfied about strategy and performance of all Pakistan textile mills associations (APTMA)?

.....

.....

.....

.....

12 Are there any valuable comments and suggestions related to textile industry of Pakistan?

.....

.....

.....

.....

.....

Thanks for your time and valuable knowledge sharing.